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AZ CORP COMMISSION
DOCKET CONTROL

29 January 2009

Jeffrie Harper
4146 E Page Ave
Gilbert, AZ 85234

Arizona Corporation Commission
1200 W Washington
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

JAN 30 2009

RE: Docket No. S-20649A-09-0013



To Whom It May Concern:

I, Jeffrie Harper as respondent (CRD # 2863910) aka Jeff Harper, do request an hearing with regard to proposed order to cease and desist etc.(Docket No. S-20649A-09-0013). This is in regard to Knuckleball Capital Management, LLC, an Arizona limited liability company (a respondent).

Sincerely,

Jeffrie Harper

JF/pm

file # 477372

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BEFORE THE ARIZONA CORPORATION COMMISSION

2009 JAN 15 A 11:32

COMMISSIONERS

AZ CORP COMMISSION
DOCKET CONTROL

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

In the matter of:

DOCKET NO. S-20649A-09-0013

JEFFRIE HARPER (CRD #2863910)(a/k/a
Jeff Harper) and KATHLEEN JANICE
HARPER, husband and wife

NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, ORDER FOR
RESTITUTION, FOR ADMINISTRATIVE
PENALTIES AND FOR OTHER
AFFIRMATIVE ACTION

DONALD ROBERT MATTSON JR (a/k/a
Rob Mattson) and JANE DOE MATTSON,
husband and wife

KNUCKLEBALL CAPITAL
MANAGEMENT, LLC, an Arizona limited
liability company

Respondents.

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents JEFFRIE HARPER (a/k/a Jeff Harper), DONALD ROBERT MATTSON, JR (a/k/a Rob Mattson), and KNUCKLEBALL CAPITAL MANAGEMENT, LLC, an Arizona limited liability company, have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

RESPONDENT

2. JEFFRIE HARPER (CRD #2863910)(a/k/a Jeff Harper) ("HARPER") is an individual who at all relevant times resided in Maricopa County, Arizona.

3. KATHLEEN JANICE HARPER was at all relevant times the spouse of HARPER. KATHLEEN JANICE HARPER is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

4. At all times relevant, HARPER was acting for his own benefit and the benefit or in furtherance of HARPER's and KATHLEEN JANICE HARPER's marital community.

5. DONALD ROBERT MATTSON, JR (a/k/a Rob Mattson) ("MATTSON") is an individual who at all relevant times resided in Maricopa County, Arizona.

6. JANE DOE MATTSON was at all relevant times the spouse of MATTSON. JANE DOE MATTSON is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

7. At all times relevant, MATTSON was acting for MATTSON's own benefit and the benefit or in furtherance of MATTSON's and JANE DOE MATTSON's marital community.

8. KNUCKLEBALL CAPITAL MANAGEMENT, LLC ("KNUCKLEBALL") is an Arizona limited liability company organized on or about May 15, 2007. According to Commission records, HARPER and MATTSON are members of KNUCKLEBALL.

9. According to Commission records, KNUCKLEBALL's primary purpose is currency investing.

10. HARPER, MATTSON, and KNUCKLEBALL may be collectively referred to as "Respondents."

11. KATHLEEN JANICE HARPER and JANE DOE MATTSON may be collectively referred to as "Respondent Spouses."

1 19. Respondents represented to investors different levels of risk regarding the
2 Investments. In at least one instance, an investor was told that the Investment was risky but
3 lucrative. In another instance, an investor was not told about any risks to the Investment, including
4 but not limited to, the possibility that the investor may lose all or a large portion of the investment.
5 In yet another instance, an investor was told that the Investment was a good, safe investment where
6 the investor could not lose any money.

7 20. The Respondents failed to disclose any risks because a majority of investors who
8 invested with the Respondents lost their entire investment.

9 21. KNUCKLEBALL and HARPER told at least one investor that the Investment was
10 growing and doing well. This investor made a second Investment based on these statements.
11 However, the Respondents failed to tell the investor that at the time of the investment the funds
12 were being used for purposes other than the Investment.

13 22. Respondents failed to disclose that HARPER filed for bankruptcy and voluntary
14 resigned from his position as a registered salesman, which misled investors to believe the
15 Investments were risk-free and would generate positive returns, to wit:

16 a. that on or about December 23, 2004, HARPER and KATHLEEN JANICE
17 HARPER filed for protection under Chapter 7 of the United States Bankruptcy Code in the U.S.
18 Bankruptcy Court, District of Arizona in the matter entitled *In re Harper*, case no. 2:04-bk-22104-
19 GBN. On May 20, 2005, HARPER and KATHLEEN JANICE HARPER received a bankruptcy
20 discharge.

21 b. that HARPER was a registered salesman who resigned his position during an
22 internal investigation for alleged misconduct. HARPER was a registered salesman with World
23 Group Securities, Inc. ("WGS") from April 12, 2002 until August 27, 2004. WGS reported on the
24 Central Registration Depository ("CRD") of the Financial Industry Regulatory Authority, Inc.
25 ("FINRA") that HARPER "was permitted to resign while under internal review for failure to repay
26

1 debts owed to customer of the firm, possible sharing of commissions with a representative of
2 another firm, and a possible unapproved outside business activity.”

3 23. Some of the investors requested from HARPER statements of their accounts.
4 HARPER did not provide any statements or accounting of the investment despite numerous
5 requests, but assured at least one investor that the investment was doing well.

6 24. At least one investor contacted HARPER consistently to find out how the
7 investment was doing. HARPER responded that the investment was fine and the monies were
8 growing. However, MATTSON contacted this investor and told him that MATTSON lost \$50,000
9 in currency trading and that another \$50,000 was never received from the investor. HARPER later
10 told this same investor that he used some of the funds to pay medical bills.

11 25. Another investor contacted HARPER regarding the status of the investment.
12 HARPER told this investor that the money was gone and that MATTSON invested the funds in
13 areas not intended for the funds.

14 26. At all times relevant, Respondents were not registered with the Commission as
15 dealers or salesmen.

16 27. At all times relevant, the Investments were not registered with the Commission.
17

18 IV.

19 VIOLATION OF A.R.S. § 44-1841

20 (Offer or Sale of Unregistered Securities)

21 28. From or around March 2007 until in or around November 2007, Respondents
22 offered and sold securities in the form of investment contracts and/or commodity investment
23 contracts within or from Arizona.

24 29. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
25 Securities Act.

26 30. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

31. From or around March 2007 until in or around November 2007, the Respondents offered or sold securities in the form of an investment contract or commodity investment contracts within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

32. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

33. In connection with the offer or sale of securities within or from Arizona, the Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. The conduct includes, but is not limited to, the following:

a) The Respondents provided information regarding potential positive returns to at least one investor, but failed disclose to at least one investor the risks associated with their investment including, but not limited to, the possibility that he/she may lose all or a large portion of their investment;

b) Respondents failed to tell at least one investor that on or about December 23, 2004, HARPER and KATHLEEN JANICE HARPER filed for protection under Chapter 7 of the United States Bankruptcy Code in the U.S. Bankruptcy Court, District of Arizona in the matter entitled *In re Harper*, case no. 2:04-bk-22104-GBN. On May 20, 2005, HARPER and

1 KATHLEEN JANICE HARPER received a bankruptcy discharge. This failure misled investors to
2 believe that the Investment was risk-free and would generate positive returns;

3 c) Respondents failed to tell at least one investor that HARPER was a
4 registered salesman who resigned his position during an internal investigation for alleged
5 misconduct. HARPER was a registered salesman with World Group Securities, Inc. ("WGS")
6 from April 12, 2002 until August 27, 2004. WGI reported on the Central Registration Depository
7 ("CRD") of the Financial Industry Regulatory Authority, Inc. ("FINRA") that HARPER resigned
8 for borrowing money from a WGI customer and did not pay it back, possibly referred business to
9 another firm and shared commissions with a representative from that firm, and possibly
10 participated in an unauthorized outside business activity. This failure misled investors to believe
11 that the Investment was risk-free and would generate positive returns;

12 d) The Respondents misrepresented to at least one investor that the investor
13 would receive returns of three (3) percent per month when no returns materialized;

14 e) The Respondents misrepresented to investors that the funds they invested
15 would be used in their entirety for the Investments when the Respondents used investor funds to
16 repay other investors, withdraw the funds as cash and/or transfer the funds to an offshore bank
17 account;

18 f) KNUCKLEBALL and HARPER misrepresented to at least one investor that
19 the Investment was growing and doing well when the funds were used to repay other investors,
20 withdraw the funds as cash and/or transfer the funds to an offshore bank account; and

21 g) KNUCKLEBALL and HARPER misrepresented to at least one investor that
22 the Investment was a good, safe investment where the investor could not lose any money when the
23 funds were used to repay other investors, withdraw the funds as cash and/or transfer the funds to an
24 offshore bank account.

25 34. This conduct violates A.R.S. § 44-1991.
26

VII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act pursuant to A.R.S. § 44-2032;
2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;
3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
4. Order that the marital communities of JEFFRIE AND KATHLEEN JANICE HARPER and DONALD ROBERT (a/k/a Rob Mattson) and JANE DOE MATTSON be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and
5. Order any other relief that the Commission deems appropriate.

VIII.

HEARING OPPORTUNITY

Each respondent including Respondent Spouses may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a Respondent or a Respondent Spouse requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

1 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
2 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
3 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
4 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
5 Opportunity for Hearing.

6 Persons with a disability may request a reasonable accommodation such as a sign language
7 interpreter, as well as request this document in an alternative format, by contacting Linda Hogan,
8 ADA Coordinator, voice phone number 602/542-3931, e-mail lhogan@azcc.gov. Requests should
9 be made as early as possible to allow time to arrange the accommodation.

10 IX.

11 ANSWER REQUIREMENT

12 Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing,
13 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for
14 Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix,
15 Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions
16 may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet
17 web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

18 Additionally, the answering respondent must serve the Answer upon the Division.
19 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-
20 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
21 Arizona, 85007, addressed to Aikaterine Vervilos.

22 The Answer shall contain an admission or denial of each allegation in this Notice and the
23 original signature of the answering respondent or respondent's attorney. A statement of a lack of
24 sufficient knowledge or information shall be considered a denial of an allegation. An allegation
25 not denied shall be considered admitted.
26

1 When the answering respondent intends in good faith to deny only a part or a qualification
2 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
3 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

4 The officer presiding over the hearing may grant relief from the requirement to file an
5 Answer for good cause shown.

6 Dated this 15 day of January, 2009.

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8 

9 Matthew J. Neubert
10 Director of Securities

11 (AV)
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To: Davis Miles, **Attn: Dan**

FAX: 480-344-5771

From: Jeff Harper

Cell: 480: 3239-6601

Enclosed find the copies that you requested for file # 477372.

16 Pages



JEFF HARPER

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTINK MAYES
GARY PIERCE

BRIAN C. McNEIL
EXECUTIVE DIRECTOR



MATTHEW J. NEUBERT
DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: securitiesdiv@azcc.gov

ARIZONA CORPORATION COMMISSION

October 28, 2008

VIA PERSONAL DELIVERY

Custodian of Records
Knuckleball Capital Management, LLC
1146 N Mesa Dr #102-303
Mesa, AZ 85201

RE: Knuckleball Capital Management, LLC File #7948

Dear Sir or Madam:

Attached is a Subpoena for document production on November 26th, 2008 at 10:00 o'clock a.m. at the offices of the Securities Division of the Arizona Corporation Commission, 1300 West Washington, Third Floor, Phoenix, Arizona. On that date and time, you must produce the documents listed on Exhibit "A" of the Subpoena. However, in lieu of personal appearance you may complete the attached Affidavit of Custodian of Records and return it along with the requested items attached in the Exhibit "A". Testimony concerning the documents will be scheduled at a later time, if necessary.

Information and documents obtained by the Securities Division in the course of an investigation are confidential, unless made a matter of public record. The Securities Division may disclose the information or documents to a county attorney, the attorney general, a United States Attorney, or to law enforcement or regulatory officials to be used in any administrative, civil, or criminal proceeding. You may, in accordance with the rights guaranteed to you by the Fifth Amendment of the Constitution of the United States, refuse to give any information that might establish a direct link in a chain of evidence leading to your criminal conviction.

This Subpoena is being served upon you with sufficient notice in order to enable you to retain the services of an attorney, if you so wish. If you or your attorney has any questions regarding the above or the attached Subpoena, please feel free to contact the undersigned at (602) 542-0539.

Sincerely,

A handwritten signature in black ink, appearing to be "R. Eckert", written over a horizontal line.

Robert Eckert
Special Investigator

RE/re
Enclosures

SUBPOENA

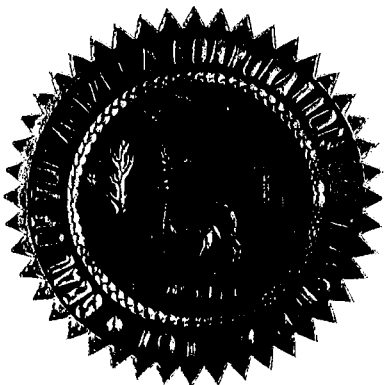
SECURITIES DIVISION

ARIZONA CORPORATION COMMISSION

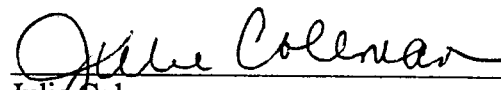
TO: Custodian of Records
Knuckleball Capital Management, LLC
1146 N Mesa Dr #102-303
Mesa, AZ 85201

In the matter of
Knuckleball Capital Management, LLC file number 7948
involving possible violations of the Securities Act
and/or Investment Management Act of Arizona.

PURSUANT TO A.R.S. § 44-1823 AND A.R.S. § 44-3133, YOU ARE HEREBY REQUIRED to
appear before **ROBERT ECKERT** of the Securities Division of the Arizona Corporation Commission at 1300
West Washington, Third Floor, Phoenix, Arizona 85007, on the 26th day of November, 2008 at 10:00 o'clock a.m.,
to PRODUCE THE DOCUMENTS SPECIFIED IN EXHIBIT "A", which is attached and incorporated by
reference.



The seal of the Arizona Corporation Commission is affixed hereto, and the undersigned, a member of said Arizona Corporation Commission, or an officer designated by it, has set her hand at Phoenix, Arizona this 28th day of October, 2008.


Julie Coleman
Chief Counsel of Enforcement
Securities Division

Information and documents obtained by the Securities Division in the course of an investigation are confidential, unless made a matter of public record. The Securities Division may disclose the information or documents to a county attorney, the attorney general, a United States Attorney, or to law enforcement or regulatory officials to be used in any administrative, civil, or criminal proceeding. You may, in accordance with the rights guaranteed to you by the Fifth Amendment of the Constitution of the United States, refuse to give any information that might establish a direct link in a chain of evidence leading to your criminal conviction.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, Executive Assistant to the Executive Director, voice phone number 602/542-3931, e-mail lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.

Pursuant to A.R.S. § 44-1825 and A.R.S. § 44-3134, failure to comply with this subpoena may result in the application for a finding of contempt.

Pursuant to A.A.C. R14-4-304, any person required to appear at a formal interview may be represented by legal counsel.

Exhibit "A"

From the period beginning January 1, 2007 to the present, all documents, records, books, and any other papers, whether stored on electronic media or otherwise, incident or relating to Knuckleball Capital Management, LLC, Jeffrie B. Harper, Dwight E. Massey, Donald R. Mattson, and Paul McLemore including, but not limited to:

1. Certificates of partnership, partnership agreements, articles of incorporation or organization, bylaws, and operating agreements, including any amendments;
2. Records of all pre-organization or corporate meetings, committee meetings, shareholder or member meetings, board of director meetings, or other business meetings, including minutes, resolutions adopted or proposed, agendas, and all information used or presented at these meetings;
3. Names, addresses, and telephone numbers of all past and present officers and directors, managing members, managers, or managing or general partners;
4. Names, addresses, telephone numbers, and position of all past and present employees, independent contractors, or other agents;
5. Records of all salaries, bonuses, reimbursement, distributions, draws, loans, or any other compensation, whether monetary or otherwise, paid to the individuals listed in response to paragraphs 3 and 4;
6. All financial statements, annual and quarterly financial reports, whether audited or unaudited, with accompanying footnotes and any auditor's reports including any amendments;
7. All assets and liabilities currently held by or for the benefit of Knuckleball Capital Management, LLC, Jeffrie B. Harper, Dwight E. Massey, Donald R. Mattson, and Paul McLemore;
8. All documents filed with any governmental agency related to the conduct of business, the formation of affiliated businesses, the renewal or maintenance of status as a legal entity, or the dissolution of the business;
9. All documents submitted for the purpose of compliance, reporting, or seeking exemptions from registration with any state or federal securities agency;
10. All documents concerning inquiries, investigations, or actions by any state or federal governmental agency;
11. All state and federal tax returns, including any applications, forms, or correspondence;

12. All accounting records and books of original entry including but not limited to, cash receipts journal, cash disbursements journal, sales journals, general journal, subsidiary journals, general ledger, subsidiary ledgers, and chart of accounts;
13. All bank or other depository institution accounts in the name of, or for the benefit of, Knuckleball Capital Management, LLC, Jeffrie B. Harper, Dwight E. Massey, Donald R. Mattson, and Paul McLemore, whether open or closed, including: (a) the name of the bank or depository institution and address of the branch at which the account is located; the name and number of each account; and (c) the names of all signatories on each account;
14. All advertisements, correspondence, circulars, offering memoranda, newsletters, prospectuses, tax opinions, legal opinions, reports, brochures, flyers, handouts, or any other records made available to potential or actual investors;
15. All advertisements, announcements, infomercials, or press releases that appeared in any media including, but not limited to, newspapers, trade journals, magazines, radio, television, or the internet;
16. All information provided through the internet including, but not limited to, copies of all web pages, addresses of web sites, news groups, and email addresses;
17. All contracts or agreements between Knuckleball Capital Management, LLC, Jeffrie B. Harper, Dwight E. Massey, Donald R. Mattson, and Paul McLemore and any person or entity identified in response to paragraphs 14 through 16 above, records of all payments made to such persons or entities, and any communications, whether written or electronic, between Knuckleball Capital Management, LLC, Jeffrie B. Harper, Dwight E. Massey, Donald R. Mattson, and Paul McLemore, and such person or entity;
18. All lists of prospective investors, including sales lead lists, demographic lists, and any other source of investor names, whether drafted by, purchased by, or obtained for the benefit of Knuckleball Capital Management, LLC, Jeffrie B. Harper, Dwight E. Massey, Donald R. Mattson, and Paul McLemore;
19. All lists of persons who attended seminars, classes, or meetings held or sponsored by or on behalf of Knuckleball Capital Management, LLC, Jeffrie B. Harper, Dwight E. Massey, Donald R. Mattson, and Paul McLemore, its affiliates or agents;
20. Names, addresses, and telephone numbers of all individuals or entities that have been offered or sold investments in Knuckleball Capital Management, LLC, Jeffrie B. Harper, Dwight E. Massey, Donald R. Mattson, and Paul McLemore;
21. Documents relating to each individual or entity listed in paragraph 20 including any contracts, forms, subscriptions, agreements, notes, questionnaires, records of investment status, checks, wire transfers, receipts, account statements, tax information, and any correspondence, updates, or other communications;

22. The amounts and dates of each investment for each individual or entity listed in paragraph 20;
23. The amounts and dates of any interest, earnings, distributions, dividends, stock splits, spin-offs, rescission, refund, or any other form of returns to each individual or entity listed in paragraph 20;
24. Names and addresses of all shareholders, members, or partners of Knuckleball Capital Management, LLC, Jeffrie B. Harper, Dwight E. Massey, Donald R. Mattson, and Paul McLemore including the amount of shares, units, or interest held and a sample share certificate or other evidence of ownership;
25. Records of all securities held, issued, purchased, or traded, including any brokers, underwriters, market makers, clearing firm, or other entities used in each transaction;
26. Records of any mergers, acquisitions, spin-offs, or predecessor entities; and
27. All internal reports and any reports provided to shareholders, members, or partners.